

## Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 COME-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

OPIC-12 L-03 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

USIA-15 PRS-01 SCI-06 FEA-02 INT-08 DRC-01 /159 W

----- 100890

R 261045Z JAN 74

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 5841

C O N F I D E N T I A L COTONOU 0140

E.O. 11652: GDS

TAGS: ENRG, DM, US

SUBJECT: UNION OIL CONCESSION: UNION REQUESTS MEETING  
WITH MRGD

REF: COTONOU 0092

1. UNION OIL'S LOCAL REPRESENTATIVE GREEWALD HAS JUST RECEIVED INSTRUCTIONS TO TRANSLATE AND DELIVER SOONEST TO MRGD PRESIDENT KEREKOU AND PUBLIC WORKS, MINES AND ENERGY MINISTER ATCHADE LETTER FROM JOHN R. SLOAT, PRESIDENT OF UNION OIL INTERNATIONAL DIVISION IN LOS ANGELES. LETTER, WHICH IS MODERATE IN TONE, ACKNOWLEDGES RECEIPT OF JANUARY 8, 1974 DECREE (REFTEL), NOTES PAST FRIENDLY COOPERATION BETWEEN UNION AND DAHOMEAN GOVERNMENT AND REQUESTS MEETING WITH PRESIDENT AND MINISTER ATCHADE AT 0900 FEBRUARY 15 OR OTHER CONVENIENT TIME TO DISCUSS "MUTUAL PROBLEMS RESULTING FROM THE PROCLAMATION". H.L. BRANDON WOULD COME FROM LOS ANGELES AND BE ACCOMPANIED BY GREENWALD AT MEETING.

2. LETTER DELIVERED AFTERNOON OF JANUARY 24. GREENWALD UNAWARE OF UNION'S PLANS OR TACTICS FOR MEETING WITH MRGD, BUT AGREES WITH US (A) THAT PRIMARY TASK, AND THIS WILL BE VERY DIFFICULT, SHOULD BE TO REESTABLISH SOME DEGREE OF CREDIBILITY WITH MRGD, AND (B) THAT IN ALL  
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PROBABILITY UNION'S CHANCES OF DEVELOPING OIL IN DAHOMEY WILL REST

ON A MUTALLY SATISFACTORY AGREEMENT BASED ON NEW MRGD PETROLEUM CODE, AND NOT ON THE 1964 CONVENTION.

3. DURING TOUR D'HORIZON JANUARY 22, PRESIDENT ECONOMIC ADVISOR BABA MOUSSA RASIED SUBJECT OF UNION OIL. HE TOLD ME HE WAS ABSENT WHEN

DECISION TO REVOKE 1964 CONVENTION WAS TAKEN AND WAS CONCERNED ABOUT ITS EFFECT ON DAHOMEY'S ABILITY TO HAVE ITS OIL RESOURCES DEVELOPED BY A WESTERN OIL COMPANY IF UNION SHOULD DECIDE TO CONTEST DECISION. HE WAS ALSO AWARE OF REPERCUSSIONS THIS UNILATERAL ACTION COULD HAVE ON ATTRACTING FOREIGN INVESTMENT, ESPECIALLY AMERICAN WHICH IS STILL VERY MUCH DESIRED AS BEST WAY OF PROMOTING ECONOMIC DEVELOPMENT IN DAHOMEY.

4. I HAVE HAD NO DISCUSSIONS WITH MINISTER ATCHADE AND MEMBERS OF HIS STAFF IN ORDER TO AVOID GETTING OUT IN FRONT OF UNION, AND THEREFORE CANNOT BE CERTAIN ABOUT WHAT PROMPTED THE JANUARY 8 REVOCATION OF UNION'S CONVENTION. MY GUESS IS THAT THIS WAS A REFLEX REACTION, ALBEIT ILL-CONSIDERED AND PROBABLY NOT LEGALLY DEFENSIBLE, TO THE INSISTENCE IN UNION'S DECEMBER 26 LETTER TO MINISTER ATCHADE THAT THE 1964 CONVENTION REMAINS IN FULL FORCE AND CANNOT BE CHANGED WITHOUT UNION'S CONSENT. WE HAVE KNOWN FOR MANY MONTHS, AS HAS LOCAL UNION REPRESENTATIVE, THAT UNION'S DEVELOPMENT OF OIL RESOURCES WOULD NOT BE GOVERNED BY TERMS OF 1964 CONVENTION, AND THAT THERE WOULD HAVE TO BE BASIC CHANGES IN EXISTING CONVENTION TANTAMOUNT TO A NEW AGREEMENT. WHEN WE LEARNED OF NEW PETROLEUM CODE (COTONOU A-80), IT WAS APPARENT THAT ANY FUTURE ACTIVITIES BY UNION OR OTHER OIL COMPANY WOULD BE GOVERNED

BY NEW GROUND RULES. THIS MADE UNDOUBTEDLY CLEAR TO BRANDON OF UNION DURING HIS NOVEMBER 30-DECEMBER 12 NEGOTIATIONS IN COTONOU (COTONOU 1740, 1773, AND 1803). IT THEREFORE NOT SURPRISING MRGD REACTED STRONGLY TO UNION'S DECEMBER 26 COMMUNICATION.

5. OBJECTIVE AT THIS STAGE IS TO MINIMIZE DAMAGE CAUSED BY MRGD JANUARY 8 ANNOUNCEMENT. BABA MOUSSA IS SEEING GREENWALD TO EXPLORE WHAT CAN BE DONE. WHEN I SAW PRESIDENT KEREKOU JANUARY 25 FOR GENERAL TALK ON US INVESTMENTS, EX-IM BANK KOBELINSKI'S FEBRUARY 7-10 VISIT AND LONRHO/LANG SUGAR PROJECT, HE SAID HE

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HAD JUST RECEIVED UNION LETTER REQUESTING FEBRUARY 15 MEETING AND HAD NO PROBLEM WITH THIS PROVIDED "UNION WAS READY TO DEVELOP OUR OIL RESERVES AND WOULD STOP ITS DO-NOTHING ATTITUDE OF PAST TWO YEARS". MRGD RESPONSE TO REQUEST FOR FEBRUARY 15 MEETING WILL IN FINAL ANALYSIS DEPEND ON REACTION OF MINISTER ATCHADE AND ABOVE ALL HDROCARGONS DIRECTOR PEREIRA WHO, ACCORDING TO LOCAL UNION REPRESENTATIVE, HAS BEEN PRIMARLY RESPONSIBLE FOR HARD LINE AGAINST UNION. AT GREENWALD'S SUGGESTION, I HAVE EXPRESSED TO BABA

MOUSSA AND TO PREIDENT HOPE MEETING WILL TAKE PLACE. THEIR REACTION WAS POSITIVE.

6. AT UNEXPECTED JANUARY 26 MEETING WITH FOREIGN MINISTER ALLADAYE, HWO WAS IN HIS SWEAT SUIT LEADING THE MONTHLY SCRUBBING AND CLEANING OF MINISTRY PRIOR TO DEPARTURE FOR ALGIERS, TRIPOLI AND EUROPE FOLLOWING DAY, HE OUTLINED GOVERNMENT'S OFT-REOEATED CONCERN WITH UNION: UNION DISCOVERED OIL ALMOST TEN YEARS AGO; DAHOMEAN PEOPLE KNOW THIS AND CANNOT UNDERSTAND WHY IT HAS NOT BEEN DEVELOPPED; CONCERN GROWING AS PETROLEUM PRICES RISE AND DEVELOPMENT NOW OF THIESE RESOURCES IMPERATIVE SO DAHOMEAN NEEDS CAN BE MET AT MORE MODERATE PRICES; STILL NOT REALLY CERTAIN OF INTENTIONS OF UNION WHICH SEEMS TO BE PLAYING CAT AND MOUSE GAME; UNION ASKED LAST DECEMBER TO COME UP WITH COUNTER-PROPOSAL TO MRGD'S DRAFT CONVENTION, BUT TO DATE HAS NOT BEEN HEARD FROM; IF UNION SERIOUS ABOUT DEVELOPING OIL, THEY SHOULD PRESENT COUNTER-PROPOSAL.

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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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